

Message Text

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21

ACTION EB-07

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TAGS: EFIN, PFOR, ENRG, EG

SUBJECT: MINISTER OF PETROLEUM ON CONSUMER BUTANE SUBSIDIES

1. FOLLOWING IS SUBSTANCE OF MINPET HILAL'S STATEMENT ON BUTANE GAS SUBSIDIES AND SHORTAGES TO PEOPLE'S ASSEMBLY INDUSTRY COMMITTEE, FEBRUARY 3: GOE IMPORTED 85 PERCENT OF LOCALLY-CONSUMED BUTANE GAS, CONSUMPTION RATE OF WHICH INCREASED 20 PERCENT (APPARENTLY IN 1975). ONE BOTTLE OF GAS COSTS 135 PIASTERS (\$3.40) AND IS SOLD TO PUBLIC AT 65 PIASTERS. BUDGET APPROPRIATION FOR SUBSIDY TOTALLED LE 7.4 MILLION, BUT TOTAL COST AMOUNTED TO LE 11 MILLION. ALTHOUGH GOVERNMENT HAS NOT CONDUCTED COMPREHENSIVE PRICE STUDIES AS YET, IT HAS BECOME NECESSARY TO INCREASE BUTANE RETAIL PRICE TO MAKE IT MORE COMPATIBLE WITH IMPORT COSTS. BUTANE GAS SHORTAGE WILL BE OVERCOME IN LONG RUN BY USING DOMESTIC NATURAL GAS. HILAL WARNED, HOWEVER, THAT NATURAL GAS PROJECT WILL REQUIRE HEAVY INVESTMENT AND TAKE A LONG PERIOD OF TIME.

2. COMMENT: HILAL'S STATEMENT FURNISHES INTERESTING DETAIL ON GOE'S INCREASINGLY DIFFICULT TASK OF HOLDING DOWN PRICES TO CONSUMERS OF BASIC COMMODITIES. GOE EVIDENTLY SELLS BUTANE AT LESS THAN ONE-HALF COST. THIS PRACTICE HAS CAUSED BUDGET (PRESUMABLY IN 1975) FOR SUPPORT OF THIS ITEM TO BE EXCEEDED BY NEARLY 50 PERCENT. GIVEN THESE AMOUNTS, IT IS LITTLE WONDER HILAL FEELS CONSTRAINED TO CALL FOR PRICE INCREASE, EVEN IF WITHIN FRAMEWORK OF GOVERNMENT'S SUBSIDIZATION POLICIES. BUTANE

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SHORTAGE HAS BECOME SIGNIFICANT PUBLIC COMPLAINT.

EILTS

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